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# SUSTAINABILITY AS A STRATEGIC BUSINESS ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE

Proceeding 12th International Annual  
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13th-15th March 2015



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**The 12<sup>th</sup> UBAYA International Annual Symposium  
on Management**

**SUSTAINABILITY AS A  
STRATEGIC BUSINESS  
ORIENTATION IN GLOBAL  
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Department on Management  
Faculty of Business and Economics  
Universitas Surabaya

## **Proceeding**

### **The 12<sup>th</sup> UBAYA International Annual Symposium on Management**

## **SUSTAINABILITY AS A STRATEGIC BUSINESS ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE**

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## FOREWORD

INSYMA has become a tradition of its own for the Management Department of Universitas Surabaya. For more than a decade this event has become a forum for academics and practitioners to share knowledge. Every year Management Department always brings the latest theme that becomes an important issue for the development of science.

This year, INSYMA raise the theme **SUSTAINABILITY AS A STRATEGIC BUSINESS ORIENTATION IN GLOBAL ECONOMY RECOVERY PHASE**. This theme interesting, considering recently, the companies are adapting to volatile and uncertain conditions as a way of life to survive. There are some important business issues and each requires a specific and appropriate response. These issues are namely governance, innovation technology, operations, regulations, risks, strategy & growth, sustainability, talent and the economy issues. The company requires its own way to deal with each of these issue so that the companies can achieve business growth and survival.

Hundreds of scientific papers are sent to a conference committee, and the results of a rigorous selection of more than 90 elected. This paper is derived from a variety of authors, both within and outside the country, academics and practitioners. All the articles are then presented at the symposium and documented in these proceedings.

We hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection. We look forward to your participation in next INSYMA.

Makassar, South Sulawesi, Indonesia  
13<sup>th</sup>-15<sup>th</sup> March 2015



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## **COLLABORATION ON SMEs IN AN INDUSTRY CLUSTER: APPLICATIONS OF COMPETITIVE STRATEGIES FOR INCREASING CAPACITY IN THE GLOBAL ERA**

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### ***Abstract***

All this time among similar companies, they tend to use a strategy that competes against each other. The company always considers their competitors as rivals who must be outdone, if they want to win the competition. However, it is not forever that the strategy will be effective. Quite the opposite, cooperation or mutual collaboration would be needed for one same industrial cluster.

Collaboration in the same industrial cluster will increase knowledge in each SME. Sharing knowledge, resources and even to satisfy the needs of customers in an industrial cluster will increase the competitive ability of each SME.

The Social capital theory and social exchange theory facilitates the discovery of collaboration strategy in similar companies that are in the same industrial cluster. This study aims to determine the benefits of the application of collaborative strategies undertaken by SMEs in several industrial clusters in Surabaya. .

Since the beginning before they are formed as SMEs, SMEs candidates have been grouped according their interest clusters. Similarly, when they have formed as SMEs, they are also not apart from the cooperation and collaboration with other SMEs in a cluster on the same industry for a variety of purposes. It is considered to be a very effective strategy to be able to compete in this global era.

The data in this study were obtained through in-depth interviews with SMEs established by the government of Surabaya, Surabaya city government representatives, as well as the analysis of documents.

**Keywords:** collaboration strategy, industry clusters, social capital theory, social exchange theory.

### **Introduction**

The complexity of the business environment makes the competition getting harder. Companies competing with each other to develop internal capabilities which are superior, not transparent, difficult to imitate, or diverted by competitors, and provide long-term competitiveness (futuristic) that exceeds the demands of today's market and isresistant to recession (Recession proof). In this condition, the resources of the company, in the form of products, equipment, technologies, including the capability and knowledge, capital, as well as a



regular habit can be managed specifically for continuous gain from competition. Therefore, according to human resource-based strategy, which is cited by Grant (1991, in Darmasetiawan Kresna, 2013), most of the lime light company is to create competitive advantage (competitive advantage) to produce a good performance, as proposed by Porter (1993, in Kresna Darmasetiawan. 2013) on the theory of competitive strategy that creates advantages through generic strategies, namely the emphasis on low cost advantages, differentiation , and focus.

However, the strategy proposed by Porter, according to Mahoney (1995) and Mosakowski (1998) is a short-term strategy (short-life) and static. According to him, nowadays the situation has greatly changed, then what is needed now is a dynamic, long-term strategy. A long-term strategy will be able to lead to special expertise internally that can create superior products to increase marketshare (marketshare) and the share of production (manufacturing share), in other words, it can be said that the current trend is that organizations can not solely live on it self and still requires cooperation, even with competitors. The implementation of this strategy involves the core competence of the company as well as benchmarking against other companies that are superior. Furthermore, according to Hariadi (2003), that the creation of competitive advantage for the company is due to the cooperation (Kresna Darmasetiawan, 2013).

The forming of industrial clusters, is directed to the use of shared resources and existing facilities, labor supply, and infrastructure that support the cluster as a whole. Learning together and having trusting relationships may also strengthen the growth and development of industry groups and companies that are in it.

Acquisition of knowledge perspective, exchange of knowledge and technology will greatly help to explain the performance of companies in the industry group. Martinkenaite (2011) offers an integrated model in relation to the acquisition of knowledge and the transfer of knowledge between organizations. In the study said that knowledge management is not in itself affect the performance of the organization, but there is a mediating role in the study discussed. Below is the proposed model:

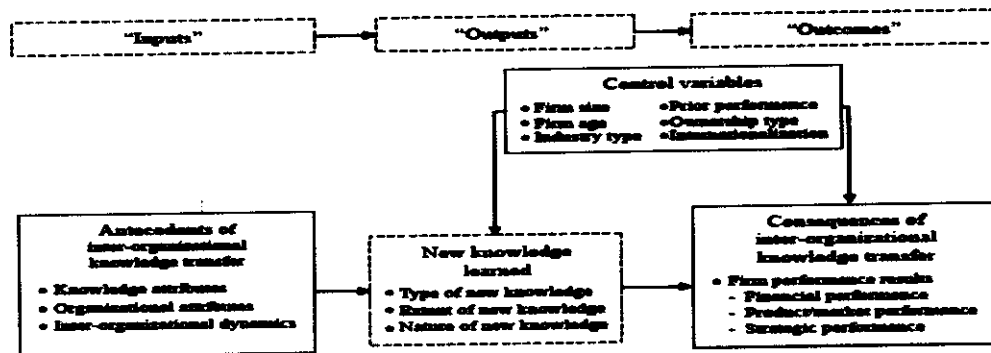


Figure 1. Integrated Causal Model Inter-Organizational Knowledge Transfer

(Source: Martikenaite, 2011)

The integrated model of causal knowledge transfer between the organization explained that the collaboration on industry cluster is to improve global competitiveness.

A reality that cannot be denied that the MSMEs (Micro, Small and Medium Enterprises) is a sector of the national economy of the most strategic and concerning lives of many people, so that became the backbone of the national economy. SMEs also constitute the largest group of economic actors in the economy in Indonesia and has proven to be a key national economic security in times of economic crisis, as well as a dynamic factor of economic growth after the crisis. That means, micro-businesses that have a turnover of less than one billion, and small businesses have a turnover in the range of one billion, as well as medium-sized businesses with a turnover of over one billion per year, has a very big role in the development process of this nation.

A micro business is a productive enterprise owned by individuals and / or entities that meet the criteria of individual businesses, as stipulated in this Law. Small businesses are productive economic activities that are independent, which is done by the individual or business entity that is not a subsidiary or branch company not owned, controlled, or be a part either directly or indirectly, of a medium or large businesses that meet the criteria of Business small as referred to in this Act. A medium business is a productive economic activities that stand alone, carried out by an individual or business entity that is not a subsidiary or branch company owned, controlled, or be a part either directly or indirectly by the small business or large businesses with total net assets or the annual sales revenue as stipulated in this Law (Law No. 20 of 2008 on SMEs).

Since 2008, city officials of Surabaya have empowered the community to battling the poverty. Empowerment is done by providing this training to the poor people in the city of Surabaya. The purpose of this training is, is to provide skills to the community can establish SMEs. And the concept of industrial clusters to form SMEs through this training has been implemented by the government of Surabaya, in the hope of working groups that can undergo a process of learning and sharing information, as well as the use of resources together.

This study aims to determine the benefits of the application of collaborative strategies undertaken by SMEs in several industrial clusters in Surabaya, through in-depth interviews with 10 representatives of the group / village SMEs established by the government of Surabaya, Surabaya city government representatives consisting of Bappeko, and analysis of documents.

### **Industrial Cluster**

Industrial clusters are usually associated with the grouping firms usually because of their proximity in a geographic location, which may lead to the location-based comparative advantages (Dunning, 1988).

Companies that are in the industrial cluster will normally carried in the engagement between them in a geographical location, which makes it possible to develop the site into a location-based comparative advantages (Dunning, 1988). A cluster can be defined as a geographical entity, focusing together, and sectoral concentration involving some combination of various specific company. Grouping the company is likely to facilitate collaboration and utilize different resources and competencies possessed by each company (Lawson, 1999). By clustering is expected to create a synergy, which will affect the competitiveness of industry groups in several ways. First, industrial clusters can improve competitiveness by increasing the productivity of the constituent companies. Cluster members are encouraged to specialize in technology, information, and resources and thereby develop the unique abilities that can lead to profitability (Barney, 1991). In addition, the growing differences within the company in an industry cluster allows to increase the range of variation, which has been shown to improve profitability, learning, and innovation (Niu et al., 2008). Clusters also encourage and enable new business activities that gave rise to supporting innovation and expand the industry cluster. Competition in the group forces companies to develop dynamic capabilities that support innovation (Teece et al., 1997).

***Social Exchange Theory***

Social Exchange Theory (SET) emphasizes rooting individual transactions in a larger system, which deals with economic and social interactions (Carson et al., 2006). Granovetter (1992) discussed that it was an economic fact that the expected outcome is the result of reciprocal interactions in the structure of the overall network. Fundamental statement of SET is that the positive results of the exchange increased trust and commitment, which finally established norms governing the relationship Hawkins, et al (2007) and Lambe, et al (2001). Trust is a central concept in this theory because it contributes rooting among the members of the network by maintaining a commitment. Kingshott (2006). Trust has been suggested to reduce the possibility of members taking advantage of the channel partners and deliberately ignores their rights, as this would result in the loss of long-term benefits, and the benefits in the form of cooperation and commitment embedded in relationships (Kresna Darmasetiawan, 2013)

Dwyer, et al (1987) age relationship or experience is another dimension in SET. A relationship is developed through stages: awareness, exploration, expansion, commitment, and /or dissolution. According to Dwyer et al (1987), the group members' experience in dealing with the situation dictates closeness of the relationship, ie the more difficult times in a relationship that has been passed by each party, the greater shared understanding of each party to a problem. Therefore, the longer the two sides share their experiences with each other, a higher reliance on each side (Ganesan, 1994, in Kresna Darmasetiawan, 2013).

***Social Capital Theory***

Adler and Kwon (2002) Social Capital Theory (SCT) provides a way to understand relationship between social capital indicators and team learning behavior. Social capital is created in the network group or team that refers to the trust that caused by the structure of social relations that can be mobilized to facilitate action. Sparrow (2001) social capital can provide a range of benefits for members of the group, such as information, influence, and control. The development of social capital occurs in social networks related to the work of each member of the group, namely their relationship between the members of one another through the sharing of resources such as information, assistance, and guidance related to the completion of their work. The content of the relationship between the members of the group contains elements of

friendship, relationship development, and information exchange. According to Adler and Kwon (2002) network that arise due to the existence of asimilarity refers to the socio-relational dimension of social capital, and higher levels of social capital are likely to be related to the learning behavior of the team. In addition, a stronger network (eg in the case of some similarities in the network) can be expected to increase team's collectiveability to organize and execute courses of action (team success) and also contribute to the general trust about the ability of the team (the team's potential). Thus, social capitalis formed of a network of team members are expected to be directly related to the benefits and potential of the team, as well as indirectly through its influence on team learning behavior (Kresna Darmasetiawan, 2013).

### **SMEs in Industrial Cluster**

The city of Surabaya has potential in agriculture, fisheries and plantations. The potential of developing into a group of SMEs TOGA crop processing, processing of fishery products, product processing as well as in other industries who are members of groups of SMEs, such as food and beverages, clothing and various kinds of fabrics such as batik, weaving, and other, various businesses such as dish soap, detergent, soap bars, and candles. Furthermore, there is also a salon business groups, handicrafts, and various other working groups.

Various purposes they did together in the industrial clusters, such as training and development capability held by Surabaya's Government, share knowledge, including doing a variety of innovations and meet customer needs.

At the time of training and development, Surabaya city government usually do it in groups, as well as supporting equipment was also given by the working group, as well as when they need a web also be made to work together, so that they are accustomed to a cluster of industrial cooperation.

The SMEs feel that the good cooperation with the members, will be easier to do a variety of innovations, because of the knowledge gained from other SMEs. Take the example of milkfish processing without bones, smoked milkfish, products processed from milk ingredients, processing mackerel, Spanish mackerel products processed from materials (meatballs, nuggets, shredded), catfish processing, processed products made from catfish (meatballs, nuggets, shredded) more innovative obtained because of the sharing of knowledge with other SMEs.



Likewise, if any of them who want to increase business capital but do not know how, they also get information from SMEs who have previously had experience of bank credit.

### **Collaboration Strategy on SMEs in Industrial Cluster to Improve Global Competitiveness**

SMEs which are in an industry cluster tend to proactively seek new information to achieve their common goals, or cooperate effectively in gathering information, integrating a variety of information for the benefit and common progress. SMEs do not always have the same interests must perform the competition, precisely with the collaboration strategy will produce something better.

Community of SMEs located in an industrial cluster will develop norms to share information, and collaborate with each other. The spirit of collaboration is likely to increase with the passage of time, and they feel as part of a community.

Hartono and Holsapple (2004) says that the business relationship between the company can produce results that are linked to productivity, agility, innovation, reputation, and satisfaction.

Other research results presented by Faens et al. (2005) pointed out that the relationship between the company will produce two types of advantages. The first advantage, giving the division of resources that enable companies can combine the knowledge, skills, and assets owned. The second advantage, providing access to the knowledge that serves as a conduit of information for floating insight for other companies (in Andrawira, Luciana, 2009). Thus the collaboration strategy undertaken by SMEs in an industrial cluster can enhance global competitiveness.

### **Conclusion**

It turns out that to be competitive strategy that tends to defeat other similar companies or are in an industry cluster does not always have to be done. There are times when it is precisely the strategy will be more effective collaboration.

SMEs in the city of Surabaya has implemented a strategy of this collaboration, and many advantages have been obtained by applying the collaborative strategy. Where in the end by implementing collaborative strategies, SMEs in the city of Surabaya can enhance global competitiveness.

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